

FISCAL NOTE

HB 2535

February 1, 2006

SUMMARY OF BILL:

- Exempts solar water heating equipment, solar photovoltaic equipment, and small wind generators, including back-up system equipment used to store energy produced from such wind generators, from the sales and use tax.
- Exempts the installation and repair of such equipment from the sales and use tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – \$504,000

Forgone State Revenues – Up to \$378,000

Decrease Local Govt. Revenues – \$162,000

Forgone Local Govt. Revenues – Up to \$121,500

Assumptions:

- Sales of solar water heating equipment, solar photovoltaic equipment, and wind generators in Tennessee were estimated at \$7.2 million in 2005.
- Decrease in state revenues for current level of sales is estimated at \$504,000 (\$7.2 million X 7% state rate = \$504,000).
- Decrease in local government revenues for current level of sales is estimated at \$162,000 (\$7.2 million X 2.25% local option rate = \$162,000).
- The U.S. Department of Energy estimates that sales of this equipment could increase by 75% due to the tax exemptions proposed in this legislation.
- Annual sales as a result of the enactment of this proposed legislation is estimated as up to \$12.6 million (\$7.2 million X 175% = \$12.6 million).
- Incremental sales is estimated as up to \$5.4 million (\$12.6 million - \$7.2 million = \$5.4 million).
- Forgone state revenues are estimated as up to \$378,000 (\$5.4 million X 7% state rate = \$378,000).
- Forgone local government revenues are estimated as up to \$121,500 (\$5.4 million X 2.25% local option rate = \$121,500).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director